

## ANALYSIS OF AMENDED BILL

Author: Wesson Analyst: Roger Lackey Bill Number: AB 1370  
Related Bills: None Telephone: 845-3627 Amended Date: 04-05-99  
Attorney: Doug Bramhall Sponsor: \_\_\_\_\_

**SUBJECT:** Employers Notify Employees Of Federal EIC/Leg Intent To Study Tax Preparer Fees Charged For Filing Claims For Earned Income Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED \_\_\_\_\_ STILL APPLIES.

☒ OTHER - See comments below.

### SUMMARY OF BILL

This bill would require that every California employer that provides unemployment insurance to their employees shall notify their employees of each employee's possible eligibility for the federal earned income credit (EIC).

This bill also would provide that it is the intent of the Legislature to study the fees charged by tax preparers to prepare a claim for the federal EIC.

### SUMMARY OF AMENDMENT

The April 5, 1999, amendment added the language requiring California employers to notify employees of their possible eligibility for the federal EIC.

### EFFECTIVE DATE

This bill would be effective January 1, 2000.

### SPECIFIC FINDINGS

**Existing federal law** allows eligible individuals a refundable EIC.

DEPARTMENTS THAT MAY BE AFFECTED:

\_\_\_ STATE MANDATE

\_\_\_ GOVERNOR'S APPOINTMENT

Board Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
☒ PENDING

Agency Secretary Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
DEFER TO \_\_\_\_\_

**GOVERNOR'S OFFICE USE**

Position Approved \_\_\_  
Position Disapproved \_\_\_  
Position Noted \_\_\_

Department/Legislative Director Date

Gerald Goldberg 4/20/1999

Agency Secretary Date

By: Date:

A refundable credit allows for the excess of the credit over the taxpayer's tax liability to be refunded to the taxpayer. The credit is a percentage of the taxpayer's earned income and is phased out as income increases. The percentage varies, based on whether the taxpayer has qualifying children. The **federal** credit for taxable years beginning after 1998 is determined as follows:

Eligible Individual with	Earned Income	Completely Phased-out @	Credit %	Maximum Credit
1 qualifying child	\$12,300	\$26,473	34	\$2,271
2 or more qualifying children	\$12,300	\$30,095	40	\$3,756
no qualifying children	\$5,600	\$10,030	7.65	\$341

The amount of the federal EIC is reduced by alternative minimum tax (AMT), if any.

**Existing federal law** allows an eligible individual to receive advance payment of the EIC by providing his or her employer with a Form W-5. Taxpayers who receive advanced payments of the EIC must file an income tax return. Any advanced payments which exceed the allowable EIC are recaptured. While EIC recipients may pay little or no income tax, allowing the EIC to be received through advance payments is intended to offset the burden of social security and other payroll taxes.

**Existing state law** does not provide for an earned income credit.

**This bill** would require every California employer that provides unemployment insurance to their employees to notify employees of their possible eligibility for the federal EIC.

**This bill** would permit employers to give or mail either any federal notice relating to the availability of EIC or any notice created by an employer that provides sufficient information to inform the employees of their possible eligibility as provided by the bill.

Also, **this bill** would provide that in order to alleviate the tax burden on low-income persons in California, the state would facilitate the furnishing of information to these persons regarding the availability of federal EIC, so that eligible taxpayers may claim the credit on their federal income tax return. This bill would provide that it is the intent of the Legislature that such assistance be provided in the most cost-effective manner.

In addition, **this bill** would provide that it is the intent of the Legislature to study the fees charged by tax preparers to prepare a claim for the federal EIC.

#### Implementation Considerations

The Franchise Tax Board would be required to notify employees as provided in the bill. Providing this notice and implementing this bill would not significantly impact the department.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact departmental costs.

Tax Revenue Estimate

This bill would not impact the state's income tax revenue.

BOARD POSITION

Pending.